



MHP Capitol Update

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Capitol Notes

The new year begins with great expectations. Along with a new legislative majority, we begin the second year of **MHP Capitol Update**, Minnesota Housing Partnership's weekly legislative newsletter for housing advocates. This year, in both the House and Senate, you'll find a complete turn-over of committee chairs. You will also find some structural and organizational changes within committees that will affect policy, budget, and tax issues. Over the next few weeks, we will keep you informed about these and other changes, particularly as they relate to housing legislation.

We will be making a few changes in our coverage this year, focusing mainly on committee hearings and agendas. The **Update** will concentrate on legislation that MHP is working on or supporting, and report regularly on committee and bill actions related to these issues. For your convenience, we have attached MHP's legislative agenda.

We encourage you to sign up for the legislature's electronic service to keep you informed about committee agendas—they are more timely and accurate than we can provide once a week. The e-service allows you to receive daily schedule updates on the committees of your choice. To sign up for any of the House notices, go to www.house.leg.state.mn.us and click on "House Mailing Lists" near the bottom. Then click on the committees whose emails you wish to receive. To sign up for Senate e-services, go to www.senate.leg.state.mn.us and click on "Minnesota Senate E-mail List Subscription Form" and follow the prompts.

As always, your feedback is appreciated, needed, and expected if we are to provide you with a quality service. Please feel free to contact us and suggest topics or bills to report on. Our purpose is to provide useful information so that you can better advocate on behalf of housing.

Budget Surplus?

There is a great deal of talk about a \$2 billion plus budget surplus that isn't accurate. The last budget forecast indicated that the state will have close to *\$1 billion* in cash reserves on June 30th, the end of the fiscal year. This is pretty much a given considering tax revenues are up and expenditures are down.

The next biennium's *projected budget surplus* of approximately \$1.3 billion is less certain for a number of reasons. The projected surplus does not account for inflation on the expenditure side of the equation—if it did, just the existing state budget would eat up about \$1 billion of the projected surplus. Since the projected surplus represents about 3% of the entire biennial budget and these projections are for the next two years, even minor deviations can have significant ramifications.

Practically speaking, this means that this year is a good year for one-time money requests rather than on-going requests that have 'fiscal tails'. Already, numerous advocacy groups, including housing advocates, are requesting the money.

Housing Market – The Weak Link in the Budget Forecast

The Finance Department's November budget presentation highlighted the housing market, which represents about 6% of the state economy, as a major concern for projection accuracy. The state's economists noted that they have not seen a housing market downturn like this in over 30 years. There are sizable decreases in the revenues generated by the mortgage registration and deed taxes, which currently flow into the general fund. They did, however, indicate that the next forecast should provide a better picture of the problem.

In this legislative session, the housing market will provide opportunities and challenges to supporters of affordable housing, especially for increased funding. A number of legislators have recognized the need for dedicated funding for housing and endorsed the Housing Solution Act. In addition, many are aware of the funding commitments needed to advance the plans to end homelessness and address the rising number of foreclosures. However, REALTORS® and builders are not supporting an increase in the deed tax, especially with the downturn in the housing market. All-in-all, though, it appears that housing issues will receive significant attention in this session.

MHP's Legislative Agenda – Increased Investment and Tax Policy

MHP's legislative agenda sends a clear message to the legislature that affordable housing programs need a *minimum* infusion of \$100M immediately. This funding can be accomplished through one-time appropriations, increases in base budget, and/or a dedicated funding source, preferably the Housing Solutions Act. The MHP Board suggested a multi-lateral approach, providing a variety of avenues that would allow advocates to seek a significant increase in funding.

Once again, improving state tax policy to encourage the preservation and development of affordable housing will be a priority for MHP. Modifications to the Low Income Rental Class (LIRC) rate will be advanced and a major push will be made to establish an affordable housing charitable tax credit.

The MHP will also provide support for a number of other housing initiatives: preserving manufactured housing, public housing assistance, MFIP penalty repeal, mortgage foreclosure prevention, funding for Minnesota's ending long-term homelessness initiative, and an extension of the construction sale tax exemption. For details, please see MHP's legislative agenda.

Committee Action

Keep an Eye on These Committees

The majority of housing initiatives will flow through the following committees in the House and Senate. Please contact us regarding friends, legislators who represent your district, or bill-adopters you can identify on the following committees. Remember, all politics is local – your efforts are needed to complement MHP's capitol activities.

House Committees: Capital Investment Finance Division; Finance, Housing Policy and Finance and Public Health Finance; Property Tax Relief and Local Sales Tax Division; Taxes; and Ways and Means.

Senate Committees: Health, Housing and Family Security; Economic Development Budget Division; Taxes; Property Tax Division; Finance; and Capital Investment.

The Finance and Ways and Means committees won't come into play until later in the session and the Capital Investment committees won't kick into action until next year when they will address bonding requests. The **Update** will focus our initial activities on the policy, budget, and tax committees, who will do the 'grunt work' on policy and budget requests over the first few months.

House Committee Members and Meeting Times

Housing Policy and Finance: Tuesdays and Wednesdays, Room 5, SOB, 10-12PM.

This committee is made up of eight new faces in the legislature (indicated by *), most of whom are from the Twin Cities Metro area, and make up half of the committee.

Karen Clark, D (Mpls) Chair
Dan Severson R (Sauk Rapids) Lead Republican
John Benson*, D (Minnetonka)
Tom Huntley, D (Duluth)
Shelley Madore*, D (Apple Valley)
Denny McNamara, R (Hastings)
Will Morgan*, D (Burnsville)
Marsha Swails*, D (Woodbury)
Lyn Carlson, D (Crystal) ex officio

Scott Kranz*, D (Blaine) Vice Chair
Bruce Anderson, R (Buffalo Township)
Rob Eastlund, R (Isanti)
Carolyn Laine*, D (Columbia Heights)
Carol McFarlane*, R (White Bear Lake)
Frank Moe, D (Bemidji)
Neil Peterson, R (Bloomington)
Ken Tschumper*, D (LaCrescent)
Loren Solberg, D (Grand Rapids) ex officio

Taxes: Mondays at 12:15, Tuesdays and Wednesdays at 10am in Room 10 SOB.

All members of this committee are incumbents with the exception of Tillberry. Of the incumbents, 8 are new to the committee.

Ann Lenczewski, D (Bloomington) Chair
Dean Simpson, R (Perham) Lead Republican
Laura Brod, R (New Prague)
Jim Davnie, D (Mpls)
Randy Demmer, R (Hayfield)
Ron Erhardt, R (Edina)
Mike Jaros, D (Duluth)
Paul Kohls, R (Victoria)
John Lesch, D (St. Paul)
Paul Marquart, D (Dilworth)
Erik Paulsen, R (Eden Prairie)
Loren Solberg, D (Grand Rapids)
Tom Tillberry*, D (Fridley)

Sandy Wollschlager, D (Cannon Falls) Vice Chair
Joe Atkins, D (Inver Grove)
Lyn Carlson, D (Crystal)
Chris DeLaForest, R (Andover)
David Dill, D (Crane Lake)
Deb Hilstrom, D (Brooklyn Center)
Lyle Koenen, D (Clara City)
Morrie Lanning, R (Morehead)
Tina Liebling, D (Rochester)
Joe Mullery, D (Mpls)
Tom Rukavina, D (Virginia)
Cy Thao, D (St. Paul)
Kurt Zellars, R (Maple Grove)

Property and Local Sales Tax Division: Fridays at 8am in Room 10.

The interesting thing about this subcommittee is that it has members that are not on the full tax committee.

Paul Marquart, D (Dilworth) Chair
Ron Erhardt, R (Edina) Lead Republican

Robin Brown*, D (Austin) Vice Chair
Sarah Anderson*, D (Plymouth)

Randy Demmer, R (Hayfield)
Morrie Lanning, R (Morehead)
Diane Loeffler, D (Minneapolis)
Mike Paymar, D (St. Paul)

Denise Dittrich, D (Champlin)
Ann Lenczewski, D (Bloomington)
Joe Mullery, D (Minneapolis)

Ways and Means: Meets Mondays at 10am in Room 200.

This committee is where all the power is vested. All money bills, including the tax bill, pass through this committee before advancing to the floor. The composition of this committee includes several chairs from other committees and, interestingly, a couple of freshmen members.

Loren Solberg, D (Grand Rapids) Chair
Mary Liz Holberg, R (Lakeville) Lead Republican
Lyn Carlson, D (Mpls)
Matt Dean, R (Stillwater)
Ron Erhardt, R (Edina)
Bob Gunther, R (Fairmont)
Bill Hilty, D (Finlayson)
Phyllis Kahn, D (Mpls)
Ann Lenczewski, D (Bloomington)
Denny McNamara, R (Hastings)
Mary Murphy, D (Hermantown)
Erik Paulsen, R (Eden Prairie)
Aaron Peterson, D (Appleton)
Steve Smith, R (Mound)
Ken Tschumper*, D (La Crescent)

Marsha Swails*, D (Woodbury) Vice Chair
Jim Abeler, R (Anoka)
Karen Clark, D (Mpls)
Kent Eken, D (Twin Valley)
Mindy Greiling, D (Roseville)
Deb Hilstrom, D (Brooklyn Center)
Tom Huntley, D (Duluth)
Margaret Kelliher, D (Mpls)
Carlos Mariani, D (St. Paul)
Erin Murphy*, D (St. Paul)
Denny Ozment, R (Rosemount)
Gene Pelowski, D (Winona)
Tony Sertich, D (Chisholm)
Steve Sviggum, R (Kenyon)

Bytes and Bits

You know the election is sweeping when the Republicans lose half their staff and the Democrats double their staff.

You know the election is sweeping when there are so many new committee chairs that the caucuses spent their meetings on committee process and procedure instead of determining session priorities.

You know the election is sweeping when no one knows where anyone's office is and furniture is moving back and forth and up and down.

You know the elections is sweeping when even chairs aren't sure of committee jurisdictions. (We did figure out the housing routes, though.)

Distributed weekly during the legislative session and periodically outside of session, the **MHP Capitol Update** provides information about bill introductions, committee hearings, policy analysis, and political chatter in St. Paul. **MHP Capitol Update** is published by Minnesota Housing Partnership, and content is provided by MHP's lobbying team, Cindy Jepson and Julian Loscalzo. To share ideas for future issues, questions, or to unsubscribe, please contact Barb Jacobs at bjacobs@mhponline.org or 651-649-1710 ext. 117.

Minnesota Housing Partnership's mission is to promote homes for all Minnesotans and to assist Minnesota communities in the creation and preservation of housing affordable to low- and moderate-income people.